

# External Assessment for Ford Motor, Inc



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Organization Assessment  
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# Outline

- **PEST Analysis**
- **Global Situations**
- **Key Success Factors**
- **Competitive Strategies Analysis**
- **Business Strategies**
- **SWOT analysis**
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# PEST Analysis



## Political

- 1970 Clean Air Act
- 1975 Energy Policy and Conservation Act
- 1992 Intermodal Surface Transportation Act (airbag)

## Economic

- Major user of computer chips, aluminum, plastics, textiles etc
- Every automaker creates 7 jobs in other industries

## Social

- Generation X and Generation Y
- Larger vehicles preferred and popular

## Technological

- Purchase through information on internet
- Electric cars, fuel efficient

# Global Situations

## **Alliance of Automobile Manufacturers**

- GM, Ford, Chrysler, MBW, Volkswagen, Volvo, Toyota, Mazda, Nissan

## **Global Merger and Acquisition**

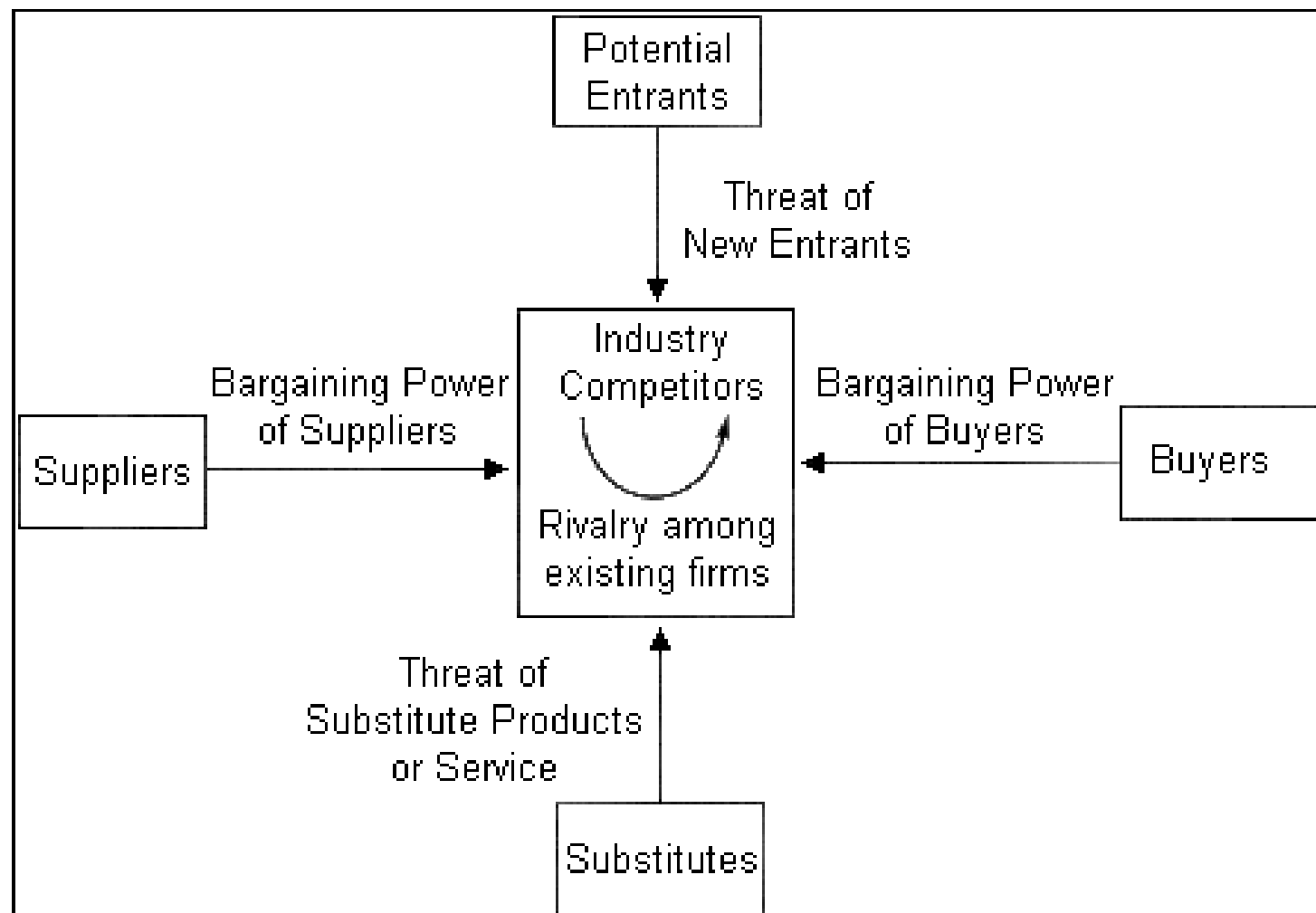
- Ford formed a strategic alliance with Mazda by owning 25 percent stake in Mazda
- Daimler-Benz A.G. merged with Chrysler Cooperation to form DaimlerChrysler A.G
- Ford bought Aston Martin Lagonda and Jaguar of Britain, and KIA of Japan, to gain their resources and skills

# Key Success Factors



- **Large scale technology:** multi-model assembly lines that reduces company manufacturing costs and allows greater flexibility to change quickly from one model to another to meet customer preferences
- **ISO 14001:** Ford also was the first automaker to take the leap to certify all of its manufacturing facilities to quality standard of ISO 14001
- **Dedicated to social services and environment improvement,** set up funding and grants for conservation for the environment, art and humanities

# Five Forces of Competition Model by Porter



# Five Forces of Competition Model



## ● Threat of New Entrants

- Low, large economic scale, high entry barrier

## ● Bargaining Power of Suppliers

- Low, abundant suppliers, easily switched

## ● Bargaining Power of Buyers

- Moderately high, revenue sources, low switching cost

## ● Threat of Substitute Products

- Biking, training, walking, public transportation

## ● Intensity of Rivalry among Competitors

- Strong, lack of differentiation, constantly compared in ads

# Business Strategies

- 1950s, Ford adopted **vertical integration** by merging the supplier into its own operation
- Ford had a **strategic alliance** with Hertz car rental by owning 49 percent of the company.
- Adopt **Cartels**, increase the collective profits by means of price fixing with GM to coordinate their prices high for large trucks.
- 2005 “**Aligned Business Framework**”, to improve suppliers’ collaboration aiming to lower costs
- 2006, “**The Way Forward**” includes resizing the company to match current market realities, dropping some unprofitable and inefficient models, consolidating production lines



# SWOT



## **Strengths**

- Technology innovator
- Global operations with Automotive and Financial services

## **Weakness**

- Struggling to maintain sales numbers
- The automaker reported a net loss of \$12.7 billion during 2006
- Estimated that it will not return to profitability until 2009

## **Opportunities**

- Aggressive ad campaigns
- Releasing innovative products

## **Threats**

- Competition from Japanese car makers
- Huge development costs
- History burden, large scale manufacturing

# Questions

- Please list one item in the PEST analysis that affects the consumer's daily life.
- What are the business strategies used by Ford as discussed in class
  - a) Vertical integration
  - b) Strategic alliance
  - c) Cartel
  - d) Aligned Business Framework
  - e) All of the above
- Please list one force in competition model and briefly explain.

# References

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